



TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: November 26, 2013

Monthly Medicaid Forecast – November 2013

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA met on November 25, 2013, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2014 and FY 2015. The forecasting group meets regularly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Actual</i> <u>FY 2013</u>	<i>Estimated</i> <u>FY 2014</u>	<i>Estimated</i> <u>FY 2015</u>
Medicaid Funding			
Carryforward from Previous Year	\$ 15,337,099	\$ 10,030,023	\$ 0
Veterans Home Transfer	3,533,208	0	0
Behavioral Health Account Carryforward	1,515,463	0	0
MH Risk Pool Carryforward	4,736,918	1,839,294	0
Health Care Transformation Account	8,280,632	0	0
Palo Tax	2,409,390	1,167,464	1,167,464
Health Care Trust Fund	106,046,400	224,300,000	223,400,000
Nursing Facility Quality Assurance Fund	26,500,000	28,788,917	29,195,653
Hospital Trust Fund	33,368,452	34,288,000	34,700,000
hawk-i Performance Bonus	11,586,323	9,776,267	0
Medicaid Fraud Fund	0	7,241,325	2,422,695
MHDS Redesign Funds	228,321,582	0	0
Total Non-General Fund for Medicaid	\$ 441,635,467	\$ 317,431,290	\$ 290,885,812
General Fund Appropriation	\$ 975,956,421	\$ 1,135,293,332	\$ 1,135,293,332
Total Medicaid Funding	\$ 1,417,591,888	\$ 1,452,724,622	\$ 1,426,179,144
Total Estimated State Medicaid Need	\$ 1,396,408,430	\$ 1,426,227,496	\$ 1,526,337,117
FMAP Changes	33,734,962	52,556,122	80,693,795
Changes Related to ACA	0	748,199	-10,686,254
Eliminate IowaCare Transfer	0	0	-11,921,225
Health Home Savings	0	0	-9,135,935
Balancing Incentive Program	-17,800,000	-1,049,597	-1,108,354
Cost Containment	-8,676,000	-28,910,009	0
County Billing Write-offs	955,235	-955,235	0
Nursing Facility Rebase	0	15,268,148	0
Home Health Increase	761,348	2,765,655	0
HCBS Waiver Increase	2,177,890	9,308,335	0
All Other Provider Increases	0	4,765,508	0
Total Estimated Medicaid Need	\$ 1,407,561,865	\$ 1,480,724,622	\$ 1,574,179,144
Midpoint of Balance/(Under Funded)	\$ 10,030,023	\$ -28,000,000	\$ -148,000,000
MHDS - Mental Health and Disability Services		HCBS - Home and Community-Based Services	
FMAP - Federal Medical Assistance Percentage		ACA - Affordable Care Act	

FY 2014 Range. For FY 2014, the group agreed Medicaid will have a need of \$13.0 million to \$43.0 million, with a midpoint need of \$28.0 million. The range includes the following savings and expenditures enacted in [SF 446 \(Health Human Services Appropriations Act\)](#):

- An increase of \$246.1 million to move Mental Health Medicaid funds previously funded under a separate appropriation to Medicaid.
- An increase of \$52.6 million to replace federal funds due to a reduction in the Federal Medical Assistance Percentage Match (FMAP) rate.
- An increase of \$34.0 million to replace one-time funding sources and other revenue changes from FY 2013.
- An increase of \$15.3 million to rebase nursing facilities.
- An increase of \$9.0 million to cover the cost of individuals currently eligible for Medicaid that will enroll as part of Medicaid Expansion.
- An increase of \$7.1 million for a 3.0% provider rate increase for Home and Community-Based Services (HCBS) waiver providers.
- An increase of \$4.5 million to provide a 1.0% provider rate increase for all providers with the exception of HCBS, nursing facilities, ambulance, and home health services.
- An increase of \$2.7 million to increase provider rates for home health services and reimburse them using the Lower Utilization Payment Adjustment (LUPA) methodology.
- An increase of \$1.0 million to repeal the site of services cost containment measure implemented in FY 2013.
- An increase of \$750,000 for primary care physician rates, as required by the Affordable Care Act.
- An increase of \$300,000 to reimburse HCBS provider training costs as a direct cost on the cost report beginning January 1, 2014.
- An increase of \$227,000 to increase ambulance reimbursement rates by 10.0%.
- An increase of \$221,000 to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.
- A decrease of \$16.3 million due to shifting Medicaid for Employed Persons with Disabilities (MEPD), Dependent Persons, and Pregnant Women to other coverage beginning January 1, 2014.
- A decrease of \$28.9 million to implement select cost containment initiatives recommended by the Governor, except for the one relating to chiropractors and home health.
- A decrease of \$61.0 million to adjust for the FY 2013 supplemental appropriation.
- A decrease of \$118.4 million to shift funding to the Health Care Trust Fund.

FY 2015 Range. For FY 2015, the group agreed Medicaid will have a need of \$118.0 million to \$178.0 million, with a midpoint need of \$148.0 million. The range includes the following savings and expenditures enacted in [SF 446](#):

- An increase of \$80.7 million to replace federal funds due to a reduction in the FMAP rate.
- An increase of \$25.6 million to replace one-time funding sources and other revenue changes from FY 2013.
- An increase of \$22.0 million to cover the cost of individuals currently eligible for Medicaid that will enroll as part of Medicaid Expansion.

- An increase of \$4.2 million to increase primary care physician rates, as required by the Affordable Care Act.
- An increase of \$1.4 million to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.
- A decrease of \$1.1 million due to savings from the Balancing Incentive Payment Program.
- A decrease of \$9.1 million due to savings from the implementation of Health Homes for both children and adults.
- A decrease of \$11.9 million due to the elimination of the transfer to the IowaCare Program that ends during FY 2014.
- A decrease of \$16.3 million due to shifting MEPD, Dependent Persons, and Pregnant Women to other coverage.

Enrollment Increase. Medicaid continues to grow, but at a slower pace than the past several years. In FY 2010, the Program added an additional 27,164 individuals, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In FY 2012, the Program added 10,526 individuals, including 7,630 children. For FY 2013, Program growth slowed to 1.3%, adding only 5,215 individuals. In the first four months of FY 2014, enrollment grew by 4,435, for a total enrollment of 406,512.

Medicaid Enrollment Increases/(Decreases) for FY 2014					
FY 2014	Children	Adults	Aged	Disabled	Total
July	1,469	253	80	248	2,050
August	-394	-78	68	214	-190
September	2,195	683	183	313	3,374
October	-471	-502	53	121	-799
Total FY 2014	2,799	356	384	896	4,435
Grand Total	234,156	62,186	31,000	79,170	406,512

FY 2015 FMAP. The Bureau of Economic Analysis released their revised state personal per capita income data for 2012 on September 30, 2013. This allowed states to calculate their FY 2015 FMAP rates. The FY 2015 FMAP rates are based on per capita personal incomes for calendar years 2010-2012. Iowa's FY 2015 FMAP rate declined significantly from the initial estimate in March, dropping by 2.21% to 56.14%. The decrease in FMAP means Iowa will have to spend an additional \$80.7 million more for the same Medicaid services. The FMAP decrease also indicates that Iowa's economy is doing better compared to other states, resulting in a smaller share of the total FMAP pie for Iowa. Iowa's FMAP rate has declined 7.15% since FY 2010 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal government to Iowa.

Five Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%
FY 2014	58.35%	41.65%	-1.53%
FY 2015	56.14%	43.86%	-2.21%